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POTATO PRODUCTION AND STORAGE COST ESTIMATES FOR MINNESOTA IN 1986

by

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INTRODUCTION

It appears that overall production costs will decrease from last year with no increase in prices expected at this time. This year, it appears that the new prices of machinery are down slightly, but with discounts of up to 30 percent available on new machinery. Usually we calculate machinery use costs with a built in discount of 6 to 8 percent by using list prices on new machinery. There are costs that are normally incurred such as transportation, set-up charges and sales tax. Our assumption was that transportation, set-up charges and sales tax were offset by the discount a purchaser could normally receive. This year we increased the discount a purchaser of new machinery could bargain for by considering an additional 15 percent off of list price. The costs used this year then represent a 21 to 23 percent decrease in ownership costs of machinery. Repairs and maintenance costs are calculated using the list prices, and because there is a slight reduction in new list prices, repair and maintenance costs are down slightly from last year.

Fertilizer costs are about the same as last year, but with signs of softening. Interest rates are the same as last year at this time for operating credit, but interest costs were reduced to 12 percent for machinery ownership costs.

Discussion of Budget Information

Potato crop production estimates shown in Appendix Tables 1 through 5 are developed for the Red River Valley. The reader should keep in mind that these budgets are projections and are subject to the many variables and uncertainties that can take place before and while the 1986 crop is produced and marketed. The yields used in the budgets are estimated using previous production records and the expectations of the farmers who provided us their production information.

Expected Prices: The hardest variable to estimate is that of price. These budgets are set up as production budgets. They do not contain storage costs. Therefore, the price used in the budgets is an expected harvest price. This allows the grower to separate the decision of what to grow from that of when and how to market.

Mid-winter projections of cash market prices for the 1986 crop are highly conjectural. The crop isn't planted. Acreage and yields are unknown. An individual's planting decisions should consider both the level of price expectations and the degree of confidence in those price expectations. Other competing crops may influence potato acreage and the factors affecting these crops are conjecture at this time, but need to be considered in the planning process. All of these variables must be considered and analyzed as best as possible to estimate the resulting impact on potato production acreage and expected prices.

The price forecasts used in the budgets are to provide a benchmark with which to assess harvest price potential as the season unfolds. They are built on crop carryover estimates in December 1985, on possible planted acreage and an estimate of crop yield. As planting time approaches, growers will refine these price estimates and compare the expected net returns from potatoes with other pricing alternatives and other crop production possibilities.

Cropping Costs and Cash Flow Expenses: The per acre costs (shown in the budgets) are developed on the basis of commercial production. Field performance rates are also indicated for the machine sizes given. Field operations are assumed to be done in a timely fashion. Cash flow expenses of field operations include diesel fuel, plus an allowance for lubrication and use-related repairs. Performance rates include discounts for the usual efficiency factors which account for turning time at the ends and other delays in field performance.

This year in our annual discussions with growers, we learned that many will watch their inputs very closely. Indications are that they are going to more closely monitor fertilizer and pesticide applications. The budgets are developed to show this change in production practices.

Machinery costs are included as "machinery function costs"--that is, the average total costs, on an annual basis, for the tractor and machine (overhead and operating) including operating labor to work one acre. The figure under the "Units of Applic" column indicates how many times it is used on one acre. The "Quantity" column is the time, in hours, required per acre--hours per acre. The figure in the "Price" column is the total cost to operate the tractor plus the machine, including labor for one hour. The "Total Amount" column is the result of multiplying the first three columns together. The "Cash Costs" column for a machine is the estimated value of fuel, oil and repairs for the tractor and implement. Labor costs are not included in cash costs. Fuel costs (diesel) are estimated to be \$1.00 per gallon.

Purchased Seed, Fertilizer and Chemicals: Other cost items indicate the number of units and the cost per unit. Quantities and rates indicated in the budgets are based upon recommended practices. Adjustments to individual farm conditions from these recommendations may be necessary. For instance, soil tests and fertilizer carryover from 1985 may suggest different fertilizer recommendations. Potassium and phosphate levels are approximately equal to removals adjusted for the availability of naturally available fertilizer ingredients in the soils.

Herbicide carryover considerations must be considered in terms of which crops are feasible on individual fields. Weed problems must also be considered. Specific chemicals used as herbicides and insecticides were grouped to attain a per acre cost.

Cash Expense Per Acre: Cash expenses are those costs associated specifically with the crop being considered and are incurred only with the production of that crop.

Costs indicated in the budgets are based on recommended practices for a good producer. Adjustments to individual farm conditions may be necessary with varying fertility situations, chemical use, and planning practices.

Cash costs estimate the out-of-pocket cash operating expenses and include estimates for fuel, oil, repairs, fertilizers, seed, chemicals, and land taxes. These costs are basic to any analysis of short-term adjustments to increase profitability.

In the short run, each grower seeks to maximize returns over cash costs. This, in turn, provides the greatest amount towards fixed assets, family living expenses and hired labor.

Land and Other Overhead Costs: The actual 1986 cash costs of renting land will vary greatly among individual operators due to varying land rental arrangements and land finance structures. This year we used a land charge representative of cash rental rates. Previously we broke land costs into a land charge which was an overhead cost, and land taxes which was a cash operating cost. Because of the confusion this seemed to create, we put the costs for land totally under land charge.

Labor is considered an overhead cost in the production process. This is the case with both operator and family labor and full-time hired labor. Special labor hired seasonally for a specific crop should be considered a cash cost. The budgets in the appendix tables assume the use of operator and family labor. Unskilled labor for tillage and truck driving is valued at \$5.20 per hour, and skilled labor for planting, spraying and harvesting is valued at \$8.50 per hour. These rates include a 30 percent charge over the wage rate to include workman's compensation, social security, insurance, and other employee benefits.

Crop Loss Costs (Insurance): The calculated crop loss cost can be viewed as either the cash expense of carrying crop insurance or the discount in returns necessary to make fair comparisons between crops under conditions where crop insurance is not carried.

Interest on Cash Expense: It is assumed that cash flow crop expenses are borrowed to grow the crop. The average time this money is on loan until harvest is six months. Interest costs are calculated accordingly using a 13.5 percent annual rate.

The column "Cash Costs" estimates the out-of-pocket cash operating expenses incurred on one acre of the indicated crop. The cash costs include estimates for fuel, oil, repairs, fertilizers, seed, chemicals, and crop insurance. These costs, as mentioned earlier, are basic to any analysis of short-term adjustments to increase profitability in the farming operation.

Costs Not Included: The budgets are developed in an industry cost format. The total costs indicated are all costs, cash and otherwise, required to plant, produce, harvest and haul the crop to storage. Storage costs are not included. This allows the producer to separate the marketing cost associated with different marketing strategies from the production costs. No charge is included for general farm overhead.

The returns over total costs shown are the total returns minus the indicated total cost. The total costs include: land, labor, machinery, and other specific costs as listed in the budget. The total cost figure does not include other total farm overhead charges such as automobile expenses, accounting, building and storage costs (except machinery housing, which is included in machine cost) or the labor and fuel used for off-field purposes. The returns over cash costs allow the budget user to estimate returns over cash costs which goes to pay for land, labor, machinery and management.

Fuel and Labor Needed: At the bottom of each budget is an estimate of fuel use per acre in diesel fuel equivalents. Multiply this figure by 1.39 to estimate gasoline equivalents if gasoline-powered tractors are used. Also included are the amount of hours and value of actual field labor, and the portion of annual machinery overhead and operating expenses charged to the budget.

Credit: If credit is limiting, a grower may need to consider crops with lower cash costs requirements and crops that have a high degree of assurance of enough cash return to cover the cash expense incurred. Some crops are more resistant to drought than others; others may be more disease resistant. It is necessary to consider the net cash flow if yields are less than planned. Estimates are given in the line "Returns Over Cash Costs" and include the value if attaining the listed returns, a 20 percent reduction in returns, and a 50 percent reduction in returns. Reductions in returns may occur because of changes in either or both price and yield.

Using the Budget Information for Decision Making

The main purpose of a budget is for planning. At this time of the year, a grower must decide what and how much (acreage) to grow. In the Red River Valley of Minnesota, the most predominant crop is wheat. Another important crop is sugarbeets. Both of these crops can be substituted for potatoes.

Making the decision of what to grow in the upcoming year is a short-run planning situation which looks at maximizing the returns over cash costs for the total farming operation. Of course, this is subject to constraints such as land suitability, input availability, sufficient machinery capacity, adequate operating capital, etc. In the long run, the grower must look at covering all costs, which means adequate payment to the fixed factors of production (land, labor, capital and management). Also, when considering a new crop or a change in production practices, the grower should make an analysis on the expected long-run net returns.

1986 Storage Costs

In order to estimate potato storage costs, we have used a 48,000 cwt., four-bin house with refrigeration and other needed equipment for potato handling. The breakdown of costs is shown in Appendix Table 6. Annual overhead costs on this storage unit are estimated to be \$53,615. The operating costs are calculated separately for seed and processing potatoes. Using processing potatoes as an example, the estimated total cost per cwt. into storage is \$1.84, but the cost per cwt. of potatoes marketed after a 10 percent shrink is \$2.04.

Total Costs with Marketing from Storage

We find it easiest to estimate total costs by converting all costs to a per cwt. marketed basis. This then correctly considers the shrinkage which occurs in storage. The budgets indicate yields available for sale at harvest or yield going into storage. The resulting breakeven price for tablestock potatoes (Table 7) is \$3.19 per cwt. However, if the 155 cwt. of potatoes go into storage and shrink 10 percent, there are only 139.5 cwt. left for sale from that acre. The storage costs of \$1.84 per cwt. now raise the total costs per cwt. produced to be \$5.03. The total costs per cwt. marketed after a 10 percent shrink are \$5.59.

A breakeven analysis has to consider the shrink factors. We have used 10 percent in calculations, but this can vary considerably. In order to adjust for the shrink factor, you must divide the costs before shrink by one minus the shrink factor ($1 - .10$). Table 7 shows the breakeven price for the various potato production budgets when marketed out of storage and incurring

shrinkage. These are total costs or the prices that would be needed to break even given the stated assumptions on production and storage costs and shrinkage.

In Retrospect

In this analysis, we have estimated the cash operating costs and the overhead costs separately. The cash operating costs for each crop can be expected to be very close to what a grower can expect. These will be very consistent from farm to farm. However, there will be wide variations in overhead costs due to the individual grower's situation and debt load. For example, the young farmer starting out is probably facing cash rent payments and/or principal and interest payments on purchased land and high machinery expenditures. Growers with higher debt loads and high repayment rates may find the returns over listed cash operating costs insufficient to meet scheduled debt repayments.

On the other hand, the established grower with land paid for and most machinery and equipment paid for will find the returns over cash operating costs to be more than adequate to meet cash debt repayments and family living expenses. It is the function of management to constantly be striving to get the farm overhead costs down within reason so that the debt load can be reduced to the point where all the factors of production (land, labor, capital and management) could expect a normal return. Management of the overhead costs is as important as the management devoted to the production and marketing functions.

APPENDIX TABLES

APPENDIX TABLE 1

POTATOES (1)	POTATOES TABLESTOCK		01 09 86		
	UNITS OR APPLIC.	QUANTITY	PRICE	TOTAL AMOUNT	CASH COSTS
RETURNS					
ROUND RED POT.		155.000 CWT.	3.000	465.00	
TOTAL RETURNS				465.00	
PLANTING COSTS					
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
SPRINGTOOTH DRAG 48		.033 HR/A	37.747	1.25	.25
ROUND CERT SEED		15.000 CWT.	5.000	75.00	75.00
POT SEED TREATMENT		15.000 CWT.	.550	8.25	8.25
POT. SEED CUTTING		15.000 CWT.	.600	9.00	9.00
POTATO ROW MARKER 6R		.134 HR/A	75.632	10.13	1.84
POTATO FILLER		.174 HR/A	18.685	3.25	.31
POTATO PLANTER 6 ROW		.174 HR/A	124.395	21.66	3.81
HEAVY TRUCK (USED)	3	.174 HR/A	30.209	15.77	10.96
FERTILIZER					
NITROGEN		25.000 LBS.	.220	5.50	5.50
ANHYDROUS AMMONIA		75.000 LBS.	.130	9.75	9.75
PHOSPHORUS P205		50.000 LBS.	.220	11.00	11.00
POTASSIUM K20		60.000 LBS.	.100	6.00	6.00
ANHYDROUS APPLICATOR		.079 HR/A	91.269	7.17	1.97
SPRAYING COSTS					
AERIAL APPLICATION	5	3.500 ACRE	1.000	17.50	17.50
INSECTICIDE	3	5.000	1.000	15.00	15.00
FUNGICIDE	3	3.700	1.000	11.10	11.10
VINE KILLER	2	12.000	1.000	24.00	24.00
CULTIVATION					
POTATO CULT. 6 ROW	3	.109 HR/A	26.058	8.51	2.75
HARVEST COST					
POTATO HRVSTR. 2 ROW		.502 HR/A	88.834	44.60	11.46
HEAVY TRUCK (USED)	3	.502 HR/A	30.209	45.50	31.62
DISK 21 FT		.098 HR/A	43.466	4.27	1.15
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
OTHER COSTS					
LAND CHARGE		1.000 ACRE	75.000	75.00	
LIGHT TRUCK		1.250 HR/A	16.917	21.15	9.26
PROMOTION TAXES		155.000	.050	7.75	7.75
CROP INSURANCE		465.000	.025	11.62	
INTEREST ON CASH COSTS		277.843	.065	18.06	
TOTAL COSTS				494.50	277.84
RETURNS OVER TOTAL COSTS				-29.50	
RETURNS OVER CASH COSTS				187.16	
RETURNS OVER CASH COSTS	20 PCT RETURNS REDUCTION			94.16	
RETURNS OVER CASH COSTS	50 PCT RETURNS REDUCTION			-45.34	
CASH COSTS/ACRE	277.84	MACHINE OPERATING COSTS/A		67.45	
MACHINE OWNERSHIP COST/A	86.77	FUEL USE/ACRE (GAL)		21.55	
TOTAL COST PER CWT.	3.19				
THRU PLANT GROWING HARVEST OTHER TOTAL					
CASH COST	212.55	2.75	45.54	17.01	277.84
LABOR HOURS	.81	.34	1.85	1.25	4.25
LABOR VALUE	5.49	1.77	11.45	6.50	25.20

APPENDIX TABLE 2

POTATOES (2)	RUSSET POTATOES PROCESSING		01 09 86		
	UNITS OR APPLIC.	QUANTITY	PRICE	TOTAL AMOUNT	CASH COSTS
RETURNS					
U.S.NO.1 RUSSET		145.000 CWT	3.650	529.25	
TOTAL RETURNS				529.25	
PLANTING COSTS					
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
SPRINGTOOTH DRAG 48		.033 HR/A	37.747	1.25	.25
RUSSET CERT SEED		11.000 CWT.	6.000	66.00	66.00
POT SEED TREATMENT		11.000 CWT.	.550	6.05	6.05
POT. SEED CUTTING		11.000 CWT	.600	6.60	6.60
POTATO ROW MARKER 6R		.134 HR/A	75.632	10.13	1.84
POTATO FILLER		.174 HR/A	18.685	3.25	.31
POTATO PLANTER 6 ROW		.174 HR/A	124.395	21.66	3.81
HEAVY TRUCK (USED)	3	.174 HR/A	30.209	15.77	10.96
FERTILIZER					
NITROGEN		25.000 LBS.	.220	5.50	5.50
ANHYDROUS AMMONIA		75.000 LBS.	.130	9.75	9.75
PHOSPHORUS P2O5		50.000 LBS.	.220	11.00	11.00
POTASSIUM K2O		75.000 LBS.	.100	7.50	7.50
ANHYDROUS APPLICATOR		.079 HR/A	91.269	7.17	1.97
SPRAYING COSTS					
AERIAL APPLICATION	5	3.500 ACRE	1.000	17.50	17.50
INSECTICIDE	3	5.000	1.000	15.00	15.00
FUNGICIDE	4	3.700	1.000	14.80	14.80
CULTIVATION					
POTATO CULT. 6 ROW	3	.109 HR/A	26.058	8.51	2.75
HARVEST COST					
POTATO HRVSTR. 2 ROW		.502 HR/A	88.834	44.60	11.46
HEAVY TRUCK (USED)	3	.502 HR/A	30.209	45.50	31.62
DISK 21 FT		.098 HR/A	43.466	4.27	1.15
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
OTHER COSTS					
LAND CHARGE		1.000 ACRE	75.000	75.00	
LIGHT TRUCK		1.250 HR/A	16.917	21.15	9.26
PROMOTION TAXES		145.000	.050	7.25	7.25
CROP INSURANCE		529.250	.025	13.23	
INTEREST ON CASH COSTS		244.943	.065	15.92	
TOTAL COSTS				461.07	244.94
RETURNS OVER TOTAL COSTS				68.18	
RETURNS OVER CASH COSTS				284.31	
RETURNS OVER CASH COSTS 20 PCT RETURNS REDUCTION				178.46	
RETURNS OVER CASH COSTS 50 PCT RETURNS REDUCTION				19.68	
CASH COSTS/ACRE	244.94	MACHINE OPERATING COSTS/A		67.45	
MACHINE OWNERSHIP COST/A	86.77	FUEL USE/ACRE (GAL)		21.55	
TOTAL COST PER CWT	3.18				
THRU PLANT GROWING HARVEST OTHER TOTAL					
CASH COST	180.15	2.75	45.54	16.51	244.94
LABOR HOURS	.81	.34	1.85	1.25	4.25
LABOR VALUE	5.49	1.77	11.45	6.50	25.20

APPENDIX TABLE 3

POTATOES (3)		ROUND WHITE POTATOES PROCESSING		01 09 86	
	UNITS OR APPLIC.	QUANTITY	PRICE	TOTAL AMOUNT	CASH COSTS
RETURNS					
ROUND WHITE POT.		165.000 CWT.	3.000	495.00	
TOTAL RETURNS				495.00	
PLANTING COSTS					
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
SPRINGTOOTH DRAG 48		.033 HR/A	37.747	1.25	.25
ROUND CERT SEED		15.000 CWT.	5.000	75.00	75.00
POT SEED TREATMENT		15.000 CWT.	.550	8.25	8.25
POT. SEED CUTTING		15.000 CWT.	.600	9.00	9.00
POTATO ROW MARKER 6R		.134 HR/A	75.632	10.13	1.84
POTATO FILLER		.174 HR/A	18.685	3.25	.31
POTATO PLANTER 6 ROW		.174 HR/A	124.395	21.66	3.81
HEAVY TRUCK (USED)	3	.174 HR/A	30.209	15.77	10.96
FERTILIZER					
NITROGEN		25.000 LBS.	.220	5.50	5.50
ANHYDROUS AMMONIA		75.000 LBS.	.130	9.75	9.75
PHOSPHORUS P205		50.000 LBS.	.220	11.00	11.00
POTASSIUM K2O		60.000 LBS.	.100	6.00	6.00
ANHYDROUS APPLICATOR		.079 HR/A	91.269	7.17	1.97
SPRAYING COSTS					
AERIAL APPLICATION	4	3.500 ACRE	1.000	14.00	14.00
INSECTICIDE	3	5.000	1.000	15.00	15.00
FUNGICIDE	4	3.700	1.000	14.80	14.80
SPROUT INHIB & APP		12.000	1.000	12.00	12.00
CULTIVATION					
POTATO CULT. 6 ROW	4	.109 HR/A	26.058	11.34	3.67
HARVEST COST					
POTATO HRVSTR. 2 ROW		.502 HR/A	88.834	44.60	11.46
HEAVY TRUCK (USED)	3	.502 HR/A	30.209	45.50	31.62
DISK 21 FT		.098 HR/A	43.466	4.27	1.15
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
OTHER COSTS					
LAND CHARGE		1.000 ACRE	75.000	75.00	
LIGHT TRUCK		1.250 HR/A	16.917	21.15	9.26
PROMOTION TAXES		165.000	.050	8.25	8.25
CROP INSURANCE		495.000	.025	12.37	
INTEREST ON CASH COSTS		267.460	.065	17.38	
TOTAL COSTS				486.11	267.46
RETURNS OVER TOTAL COSTS				8.89	
RETURNS OVER CASH COSTS				227.54	
RETURNS OVER CASH COSTS	20 PCT	RETURNS REDUCTION		128.54	
RETURNS OVER CASH COSTS	50 PCT	RETURNS REDUCTION		-19.96	
CASH COSTS/ACRE	267.46	MACHINE OPERATING COSTS/A		68.36	
MACHINE OWNERSHIP COST/A	88.10	FUEL USE/ACRE (GAL)		22.04	
TOTAL COST PER CWT.	2.95				
THRU PLANT GROWING HARVEST OTHER TOTAL					
CASH COST	200.75	3.67	45.54	17.51	267.46
LABOR HOURS	.81	.45	1.85	1.25	4.36
LABOR VALUE	5.49	2.35	11.45	6.50	25.79

APPENDIX TABLE 4

POTATOES (4)	RUSSET POTATOES SEED		01 09 86		
	UNITS OR APPLIC.	QUANTITY	PRICE	TOTAL AMOUNT	CASH COSTS
RETURNS					
RUSSET CERT. SEED		140.000 CWT	4.500	630.00	
JUMBOS POT.		15.000 CWT.	2.000	30.00	
TOTAL RETURNS				660.00	
PLANTING COSTS					
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
SPRINGTOOTH DRAG 48		.033 HR/A	37.747	1.25	.25
RUSSET FOUND SEED		18.000 CWT.	7.000	126.00	126.00
POT SEED TREATMENT		18.000 CWT.	.350	9.90	9.90
POT. SEED CUTTING		18.000 CWT	.600	10.80	10.80
POTATO ROW MARKER 6R		.134 HR/A	75.632	10.13	1.84
POTATO FILLER		.174 HR/A	18.685	3.25	.31
POTATO PLANTER 6 ROW		.174 HR/A	124.395	21.66	3.81
HEAVY TRUCK (USED)	3	.174 HR/A	30.209	15.77	10.96
FERTILIZER					
ANHYDROUS AMMONIA		75.000 LBS.	.130	9.75	9.75
NITROGEN		25.000 LBS.	.220	5.50	5.50
PHOSPHORUS P205		50.000 LBS.	.220	11.00	11.00
POTASSIUM K20		75.000 LBS.	.100	7.50	7.50
ANHYDROUS APPLICATOR		.079 HR/A	91.269	7.17	1.97
SPRAYING COSTS					
AERIAL APPLICATION	5	3.500 ACRE	1.000	17.50	17.50
INSECTICIDE		12.000	1.000	12.00	12.00
INSECTICIDE	2	6.250	1.000	12.50	12.50
FUNGICIDE	4	3.700	1.000	14.80	14.80
VINE KILLER	2	8.750	1.000	17.50	17.50
CULTIVATION					
POTATO CULT. 6 ROW	3	.109 HR/A	26.058	8.51	2.75
ROUGEING		5.000	1.000	5.00	5.00
HARVEST COST					
POTATO HVSTR SEED 2R		.669 HR/A	81.634	54.65	16.25
HEAVY TRUCK (USED)	3	.669 HR/A	30.209	60.63	42.14
DISK 21 FT		.098 HR/A	43.466	4.27	1.15
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
OTHER COSTS					
LAND CHARGE		1.000 ACRE	75.000	75.00	
LIGHT TRUCK		1.250 HR/A	16.917	21.15	9.26
FIELD + DISEASE TEST		1.000 ACRE	11.000	11.00	11.00
INSPECTION		140.000 CWT.	.055	7.70	7.70
PROMOTION TAXES		160.000	.050	8.00	8.00
CROP INSURANCE		660.000	.025	16.50	
INTEREST ON CASH COSTS		379.755	.065	24.68	
TOTAL COSTS				617.78	379.75
RETURNS OVER TOTAL COSTS				42.22	
RETURNS OVER CASH COSTS				280.25	
RETURNS OVER CASH COSTS	20 PCT	RETURNS REDUCTION		148.25	
RETURNS OVER CASH COSTS	50 PCT	RETURNS REDUCTION		-49.75	
CASH COSTS/ACRE	379.75	MACHINE OPERATING COSTS/A		80.15	
MACHINE OWNERSHIP COST/A	93.13	FUEL USE/ACRE (GAL)		24.84	
THRU PLANT					
CASH COST	275.20	7.75	60.85	35.96	379.75
LABOR HOURS	.81	.34	2.40	1.25	4.81
LABOR VALUE	5.49	1.77	14.96	6.50	28.71

APPENDIX TABLE 5

POTATOES (5)	ROUND POTATO SEED		01 09 86		
	UNITS OR APPLIC.	QUANTITY	PRICE	TOTAL AMOUNT	CASH COSTS
RETURNS					
ROUND CERT. SEED		150.000 CWT.	4.000	600.00	
JUMBOS POT.		15.000 CWT.	2.000	30.00	
TOTAL RETURNS				630.00	
PLANTING COSTS					
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
SPRINGTOOTH DRAG 48		.033 HR/A	37.747	1.25	.25
ROUND FOUND SEED		18.000 CWT.	6.000	108.00	108.00
POT SEED TREATMENT		18.000 CWT.	.550	9.90	9.90
POT. SEED CUTTING		18.000 CWT	.600	10.80	10.80
POTATO ROW MARKER 6R		.134 HR/A	75.632	10.13	1.84
POTATO FILLER		.174 HR/A	18.685	3.25	.31
POTATO PLANTER 6 ROW		.174 HR/A	124.395	21.66	3.81
HEAVY TRUCK (USED)	3	.174 HR/A	30.209	15.77	10.96
FERTILIZER					
ANHYDROUS AMMONIA		50.000 LBS.	.130	6.50	6.50
NITROGEN		25.000 LBS.	.220	5.50	5.50
PHOSPHORUS P2O5		50.000 LBS.	.220	11.00	11.00
POTASSIUM K2O		60.000 LBS.	.100	6.00	6.00
ANHYDROUS APPLICATOR		.079 HR/A	91.269	7.17	1.97
SPRAYING COSTS					
AERIAL APPLICATION	5	3.500 ACRE	1.000	17.50	17.50
INSECTICIDE		12.000	1.000	12.00	12.00
INSECTICIDE	2	6.250	1.000	12.50	12.50
FUNGICIDE	3	3.700	1.000	11.10	11.10
VINE KILLER	2	12.000	1.000	24.00	24.00
CULTIVATION					
POTATO CULT. 6 ROW	4	.109 HR/A	26.058	11.34	3.67
ROUGEING		5.000	1.000	5.00	5.00
HARVEST COST					
POTATO HVSTR SEED 2R		.669 HR/A	81.634	54.65	16.25
HEAVY TRUCK (USED)	3	.669 HR/A	30.209	60.63	42.14
DISK 21 FT		.098 HR/A	43.466	4.27	1.15
FIELD CULTIVATOR 28		.074 HR/A	45.569	3.36	1.31
OTHER COSTS					
LAND CHARGE		1.000 ACRE	75.000	75.00	
LIGHT TRUCK		1.250 HR/A	16.917	21.15	9.26
FIELD + DISEASE TEST		1.000 ACRE	11.000	11.00	11.00
INSPECTION		150.000 CWT.	.055	8.25	8.25
PROMOTION TAXES		165.000	.050	8.25	8.25
CROP INSURANCE		630.000	.025	15.75	
INTEREST ON CASH COSTS		361.522	.065	23.50	
TOTAL COSTS				599.53	361.52
RETURNS OVER TOTAL COSTS				30.47	
RETURNS OVER CASH COSTS				268.48	
RETURNS OVER CASH COSTS 20 PCT RETURNS REDUCTION				142.48	
RETURNS OVER CASH COSTS 50 PCT RETURNS REDUCTION				-46.52	
CASH COSTS/ACRE	361.52	MACHINE OPERATING COSTS/A		81.07	
MACHINE OWNERSHIP COST/A	94.46	FUEL USE/ACRE (GAL)		25.33	
THRU PLANT GROWING HARVEST OTHER TOTAL					
CASH COST	255.25	8.67	60.85	36.76	361.52
LABOR HOURS	.81	.45	2.40	1.25	4.92
LABOR VALUE	5.49	2.35	14.96	6.50	29.30

APPENDIX TABLE 6

1986 ESTIMATED POTATO STORAGE COSTS

12,000 Cwt. Bin
(48,000 Cwt. House)
Stored 6 Months
New Cost/Cwt. \$5.00

<u>Item</u>	<u>Total Cost</u>	<u>Annual Percent</u>	<u>Annual Cost</u>
Building (4-bin) - 20 years	\$240,000	15.5	\$37,200
Refrigeration - 20 years	10,000	15.5	1,500
Equipment (Bobcat Pilers, etc.) - 10 years	59,000	23.5	13,865
Railroad Siding Lease			<u>1,000</u>
Total Annual Overhead Costs			\$53,615

Annual Operating Costs

<u>Seed</u>		<u>Processing</u>	
Electricity 46,286 KWH @ .065	\$ 3,009	Electricity 85,714 KWH @ .065	\$ 5,571
Telephone	1,200	Telephone	2,400
Insurance 48,000 x \$6.00 x .015	4,320	Insurance 48,000 x \$4.00 x .015	2,880
Labor 5 people, 500 hrs. @ \$5.90/hr. 2 hrs./day @ \$5.90 (150 days)	14,750 1,770	Labor 4 people, 300 hrs. @ \$5.90/hr. 2 hrs./day @ \$5.90 (150 days)	7,080 1,770
Office Supplies	1,000	Office Supplies	1,000
Interest on Inventory 43,200 x \$6.00 x .060	15,552	Interest on Inventory 43,200 x \$4.00 x .060	10,368
Disinfectant	<u>1,000</u>	Disinfectant	750
		Sprout Inhibitor 6¢/Cwt.	<u>2,880</u>
Total Operating Cost	\$42,601	Total Operating Cost	\$34,699
Total Annual Cost	\$96,216	Total Annual Cost	\$88,314
Total Cost/Cwt. Stored	\$ 2.00	Total Cost/Cwt. Stored	\$ 1.84
Total Cost/Cwt. Marketed 10% Shrink	\$ 2.23	Total Cost/Cwt. Marketed 10% Shrink	\$ 2.04

APPENDIX TABLE 7

1986 Breakeven Prices for the Various Potato
Production Budgets when Marketed Out of Storage ^{1/}

	Tablestock Potatoes	Russet Processing	Round White Processing	Russet Seed	Round White Seed
Cwt./Acre	155	145	165	140	150
Total Cost	\$495	\$461	\$486	\$588 ^{2/}	\$589 ^{2/}
Cost/Cwt.	3.19	3.18	2.95	4.20	3.93
Storage Cost/Cwt.	1.84	1.84	1.84	2.00	2.00
Total Cost/Cwt. Produced	5.03	5.02	4.79	6.20	5.93
Shrinkage Percent	10	10	10	10	10
Total Cost/Cwt. Marketed	\$5.59	\$5.58	\$5.32	\$6.89	\$6.59

^{1/}After shrinkage in storage

^{2/}Total cost credited with sale of jumbos.